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SUBJECT: 2006 INVESTMENT CLIMATE STATEMENT FOR AUSTRIA

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¶1. Following is 2006 Investment Climate Statement for Austria, keyed to reftel instructions:

2006 INVESTMENT CLIMATE STATEMENT -- AUSTRIA

Introduction

With the European Union's (EU) enlargement in May 2004, Austria's location became central in the EU. As an investment location, Austria, and Vienna in particular, faces growing competition from its Eastern neighbors, all of which are now EU members. Budapest, Prague and Bratislava are competing directly with Vienna for foreign investors. Many have pointed out that direct transportation links among Austria's Eastern neighbors are in some places better than those running through Austria. The Austrian Government has long-term plans to address these infrastructure gaps, but progress seems slow and many view the current state of transport links as a missed opportunity. The government's 2005 corporate tax cut was a major step towards remaining competitive vis--vis Austria's Eastern EU neighbors and has already attracted firms to open regional headquarters in Vienna. Some 370 U.S. companies have invested in Austria and most have expanded their original investment over time.

Austria continues to offer some advantages, but also some challenges to foreign investors. We have sought to describe both below in candid terms for the benefit of potential investors.

Openness to Foreign Investment

Government attitude toward foreign private investment: The second Schuessel government -- a coalition between the Austrian People's Party (OVP) and the Freedom Party (FPO) spin-off, "Alliance Future Austria" (BZO) -- has continued the comprehensive economic reform program Chancellor Schuessel began in 2000. The government's aim is to streamline government, create a more competitive business environment, and further strengthen Austria's attractiveness as a location for investment. According to many observers, in comparison to other EU member states, Austria has made a major policy shift in recent years by pursuing a balanced budget; pension system reform; privatization; creating financial market

supervision and competition policy bodies; and implementing a corporate tax cut in 2005. The policy shift addressed long-standing imbalances and should improve the Austrian economy's long-term growth potential. Structural reforms, which the economy still needs, include downsizing the public sector, streamlining the social welfare system, reforming the health care system, raising the labor participation rate, introducing more flexible work hours, liberalizing services markets, and pursuing policies to address the problems associated with an ageing society. In accordance with the EMU's Stability and Growth Pact, balancing the consolidated public sector budget remains a medium-term goal.

The government is not likely to implement further major reforms before the end of the legislative period in fall ¶2006. Even though continuation of the current coalition government after the fall elections to Parliament seems unlikely, observers do not expect Austria's basic policies and openness toward foreign direct investment to change in coming years under any new government, regardless of its composition. However, a government of the Social Democratic Party (SPO) or an SPO-Green coalition would likely have a different stance on reform. The SPO appears poised to reverse the group taxation regulation of the 2005 corporate tax reform and to raise health insurance contributions. An SPO government would not likely cut non-wage costs or further streamline the vast social entitlements system.

Austria has been virtually a strike-free country, except for two politically motivated strikes in 2003 against the government's pension and railroad reforms.

Liberalization and deregulation in the energy and telecom sectors have lowered prices for businesses. However, continuing barriers to entry and to competition have resulted in only partial liberalization. In some areas, charges, such as electrical network tariffs, have remained above average, according to the International Energy Agency.

Austria welcomes foreign direct investment that does not have a negative impact on the environment. Austria particularly welcomes those investments that create new jobs in high technology, promote capital-intensive industries, and have links to R&D activities, for which special tax incentives are available. Austria is a high-tax country, but is becoming increasingly attractive for companies and headquarters. A major tax cut in 2005 reduced the corporate tax rate to 25% from 34%. Because of tax base adjustments, experts estimated the effective corporate tax burden at 22%. A highly favorable new provision for group taxation, unique in Europe, allows offsetting profits and losses of group operations (requiring direct or indirect participation of more than 50%, but no other financial, economic or organizational integration) in Austria and abroad. This group taxation system offers interesting opportunities for U.S. investors, in particular joint-venture structures, M&A transactions, headquarter companies and simple holding companies without active business, which can also participate in the tax group. The corporate tax cut and group taxation aim to keep Austria competitive vis--vis the neighboring new EU members with their low corporate tax rates.

The Austrian Government assesses the business profits of non-corporations at half the income tax rate to which they would be subject based on income alone. Austria has no wealth or net worth tax, and no trade tax (Gewerbesteuer), unlike neighboring Germany. The government's goal of reducing the share of taxes in GDP further from around 41% in 2005/06 to 40% by 2010 will require additional cuts in budget expenditures.

There are no formal sectoral or geographic restrictions on foreign investment. In some regions, Austria offers

special facilities and services ("cluster packages") to foreign investors. For example, these can include automotive producers or manufacturers of chips, silicon, and high-tech products. Austria offers financial and tax incentives within EU parameters to firms undertaking projects in economically depressed and underdeveloped areas on Austria's eastern and southern borders. For some of these areas, eligibility for subsidies under EU regional and cross-border programs will decline under the EU's 2007/13 financial framework. The only instances of local opposition to investment in the manufacturing sector have arisen out of environmental concerns.

Potential U.S. investors need to factor Austria's strict environmental laws into their decision-making process. Austria has imposed marketing bans on some agricultural biotechnology seeds despite existing EU approvals. The European Commission has not yet taken steps to overturn the bans, despite the fact that the EU's Scientific Committee has found no justification for the bans and the EU Moratorium on new approvals has ended. For future varieties, new EU legislation on the deliberate release of genetically modified organisms and on traceability and labeling requires Austria to allow GMO seeds in the fields and in the stores. However, strict liability regulations for research, production, and distribution of GMOs still apply. U.S. investors considering production facilities emitting CO_2 in Austria should be aware that Austria, under the Kyoto Protocol, has made a commitment to cut its CO_2 emissions by 13% from the 1990 level. Austria also began implementation of the EU's regulatory framework on greenhouse gas emissions and trading, which entered into force in 2005.

In investor surveys and international rankings, Austria consistently earns high marks for political stability, personal security, quality of life, rule of law, skill and motivation of labor, health infrastructure, and mobile phone costs. However, Austria receives low marks for economic growth, tax burden, rigid labor practices and work hours, lack of risk capital financing, low innovation dynamics, restrictive immigration laws, size of the public sector, and regulatory red tape. With the 2005 corporate tax cut, the government addressed one major investmentdisincentive. Surveys show that Austria faces siffer competition from Central and Eastern Europan (CEE) markets, as well as from the ten new EU members, especially the four that border Austria. This competition is especially noticeable in sectors where wage costs are decisive.

Acquisitions, mergers, takeovers, cartels: A new Anti-Trust Act, in effect since January 1, 2006, harmonizes Austrian anti-trust regulations with European competition law. The independent Federal Competition Authority (FCA) and the Federal Cartel Prosecutor (FCP) are responsible for administering anti-trust laws. The FCA has not been particularly pro-active, reportedly due to personnel shortages.

The Austrian Anti-Trust Act prohibits cartels, any competitive restrictions, and the misuse of a dominant market position. Companies must inform the FCA about mergers and acquisitions (M&A) concerning domestic enterprises, if combined worldwide sales exceed Euro 300 million ($375 million at the current exchange rate of $1.00 per Euro 0.80), domestic sales exceed Euro 30 million ($37.5 million), or if two of the firms involved each have worldwide sales exceeding Euro 5.0 million ($6.3 million). Special regulations apply to M&As of media enterprises. The cartel court is competent to decide on any M&A notification from the FCA or the FCP. For violations of anti-trust regulations, the cartel court can impose fines of up to the equivalent of 10% of a company's annual worldwide sales. An independent energy regulatory authority separately examines antitrust concerns in the energy sector, but also has to submit any cases to the cartel court.

European Community anti-trust regulations continue to apply and take priority over national regulations in cases of trade between Austria and other EU member states.

The 1999 takeover law applies to both friendly and unsolicited takeovers of corporations headquartered in

Austria and listed on the Vienna Stock Exchange. It protects investors against unfair practices, since any shareholder obtaining a controlling stake in a corporation (30% or more of all shares) must offer to buy out smaller shareholders at a defined "fair market" price. An independent takeover commission at the Vienna Stock Exchange oversees compliance.

Screening mechanisms: Only those foreign investments with Austrian Government financial assistance are subject to government overview. Screening is to ensure compliance with EU regulations, which limit such assistance to disadvantaged geographic areas.

Privatization: In the ongoing privatization of public enterprises, foreign and domestic investors receive equal treatment. Despite the government's expressed preference for an Austrian core shareholding, foreign investors have been successful in obtaining shares in important Austrian industry sectors, including the telecom sector; Austria's largest bank, Bank Austria; the Austrian Tobacco Company; Voest-Alpine (VA), a major steel producer; and VA Tech, a metallurgy, power generation and infrastructure conglomerate. In 2005, the government sold its 34.7% stake in VA, in which U.S. institutional investors now hold a 19% share. In mid-2005, Siemens, which held a 16.5% share in VA Tech, made a successful public takeover bid, as the government sold its 14.7% share in VA Tech to Siemens. The government plans to privatize 49% of the postal service through an IPO during the first half of ¶2006. The government postponed plans to sell off its remaining 30.2% share in Telekom Austria (TA), but is considering a separate privatization of TA's 100%-owned mobile phone subsidiary, Mobilkom. Provincial governments and communities also plan to privatize various entities.

Treatment of foreign investors: There is no discrimination against foreign investors, but they are required to follow a number of regulations. Although there is no requirement for participation by Austrian citizens in ownership or management, at least one manager must meet residence and other legal requirements. Non-residents must appoint a representative in Austria. Expatriates are allowed to deduct certain expenses (costs associated with moving, maintaining a double residence, education of children) from Austrian-earned income. A 2003 amendment of the Austrian immigration law that required permanent legal residents to take German language and civics courses has been eased. A 2006 amendment of the Austrian immigration law exempts applicants for residence permits who hold a college degree from the German language course requirement.

Investment incentives: Starting in 2007, a smaller share of Austria's land area (41% at the moment) will be eligible for support under various EU structural fund programs. The Austrian federal, provincial, and local governments also provide financial incentives within EU guidelines to promote investments in Austria. Incentives under these programs are equally available to domestic and foreign investors, and range from tax incentives to preferential loans, guarantees and grants. Most of these incentives are available only if the planned investment meets specified criteria (e.g., implementation of new technology, reducing unemployment, etc.). Tax allowances for advanced employee training and R&D expenditures are available. The government has merged various institutions providing financial incentives into a "one-stop shop" at the Austria Wirtschaftsservice (further

information, in German language only, is available under http://www.awsg.at and http://www.foerderportal.at).

Conversion and Transfer Policies

In Austria, there are no restriction on cross-border capital transactions, including the repatriation of profits and proceeds from the sale of an investment, for non-residents and residents. The Euro, a freely convertible currency and the only legal tender in Austria and eleven other Euro-zone member countries, shields investors from exchange rate risk in the entire Euro-zone.

Expropriation and Compensation

Expropriation of private property in Austria is rare and may proceed only on the basis of special legal authorization. The government can initiate it only when no other alternative for satisfying the public interest exists; when the action is exclusively in the public interest; and when the owner receives just compensation. The expropriation process is fully transparent and non-discriminatory towards foreign firms.

Dispute Settlement

The Austrian legal system provides an effective means for protecting property and contractual rights of nationals and foreigners. Additionally, Austria is a member of the International Center for the Settlement of Investment Disputes. The 1958 New York Convention also grants enforcement of foreign arbitration awards in Austria. There have been no recent reports of bilateral investment disputes.

Performance Requirements/Incentives

Austria is in compliance with the World Trade Organization's Trade Related Investment Measures (TRIMS) agreement. There are virtually no restrictions on foreign investment in Austria and foreign investors receive national treatment in the main. However, some requirements exist. For example, at least one manager must meet residency and other legal qualifications. Non-residents must appoint a representative in Austria.

The Austrian Government may impose performance requirements when foreign investors seek financial or other assistance from the government, although there are no performance requirements to gain access to tax incentives. There is no requirement that nationals hold shares in foreign investments or that there be a technology transfer.

The U.S. and Austria are signatories to the 1931 Treaty of Friendship, Commerce, and Consular Rights. The Austrian Immigration Law restricts the overall number of visas, but a few non-immigrant business visa classifications, including intra-company transferees/rotational workers and employees on temporary duty, are eligible for visas with no numerical limitations. Recruitment of long-term overseas specialists or those with managerial duties is under quota controls. The 2002 Amendment of the Austrian Immigration Law more clearly defined employment-based immigrants as multinational executives/managers or similar professionals who are self-employed, and streamlined procedures for obtaining visas and work authorization. The 2002 integration policy requiring immigrants to attain a minimum level of competence in the German language has been eased; previous education (college degree) will automatically fulfill the integration requirement. Austria will cut annual

immigration quotas for 2006 from 7,500 to 7,000. These cuts will likely take place for executives or managers, a visa category that is apparently undersubscribed.

Right to Private Ownership and Establishment

Foreign and domestic private enterprises are free to establish, acquire, and dispose of interests in business enterprises, with the exception of some infrastructure and utilities, and a few state monopolies, such as gambling. As the government continues to pursue privatization, it is gradually opening up some of these industries to private investment as well. For example, in past years, the Austrian Government implemented legal changes to allow private radio and private terrestrial TV, dismantled the postal monopoly for wire-transmitted voice telephony and infrastructure, and liberalized the electricity and gas markets. However, by law, federal and provincial governments maintain at least 51% majority shares in all electricity providers. In line with EU regulations, the government is working to liberalize the postal monopoly and will partially privatize the postal company in 2006. In most business activities, the law permits 100% foreign ownership. Foreign direct investment is restricted only when competing with monopolies and utilities. License requirements, such as those in the banking and insurance sectors, apply equally to domestic and foreign investors.

Protection of Property Rights

The Austrian legal system protects secured interests in property. The law recognizes mortgages, if recorded in the land register and the underlying contracts are valid. For any real estate agreement to be effective, owners must register with the land registry, which requires approval of the land transfer commission or the office of the provincial governor. The land registry is a reliable system for recording interests in property, and any interested party has access to it.

Austria has effective laws to protect intellectual property rights, including patent and trademark laws; a law protecting industrial designs and models; and a copyright law. Legislation also protects three-dimensional semiconductor chip layout design. In line with EU requirements, Austria has a law against product piracy to prevent trade in counterfeits. Austria is a party to the World Intellectual Property Organization (WIPO) and several international property conventions, including the European Patent Convention, the Patent Cooperation Treaty, the Universal Copyright Convention, and the Geneva Treaty on the International Registration of Audiovisual Works. Since both the United States and Austria are members of the "Paris Union" International Convention for the Protection of Industrial Property, American investors are entitled to the same kind of protection under Austrian patent legislation as are Austrian nationals. A 2005 amendment to the Austrian Patent Act strengthened protection of patents from innovative enterprises, particularly through more efficient implementation procedures. One can file objections only after authorities have granted the patent.

Austria's copyright law is in conformity with EU directives on intellectual property rights and grants the author the exclusive rights to publish, distribute, copy, adapt, translate, and broadcast his/her work. Infringement proceedings, however, can be time consuming and complicated. The Austrian Copyright Act also regulates copyrights of works on the Internet, protection of computer programs, and related damage compensation.

Transparency of the Regulatory System

Austria's legal, regulatory, and accounting systems are transparent and consistent with international norms. The government usually publishes proposals for new laws and regulations in draft form for public comment.

The Austrian Government has made some progress in streamlining its complex and cumbersome permit and paperwork requirements for business licenses and permits. The government maintains that it has reduced the time needed to obtain necessary permits to about three months, except for large projects requiring an environmental impact assessment. The 2002 reform of the Business Code implemented a "one-stop shop" for a business permit. However, this does not include plant and building permits. Another reform in 2005 provides for further accelerating permit procedures by expanding possibilities for simplified procedures. However, "unpredictable and inflexible bureaucratic rules" could still be a problem.

The government applies tax and labor laws uniformly, as well as health and safety standards, and thus do not influence the sectoral allocation of investments. The Austrian investment climate has become more conducive for business since Austria became a member of the EU. However, inflexible shop-opening hours and working times remain a major concern for many businesses. The government plans to implement more flexible working time regulations, including at the company level, and more liberal regulations for shop-opening hours. However, virtually all shops will remain closed on Sundays.

Efficient Capital Markets and Portfolio Investment
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Austria has modern and sophisticated financial markets. All financial instruments are available. Foreign investors have access to the local market without restrictions and are free to use foreign credit markets as well. Austria has a highly developed banking system with worldwide correspondent banks, and representative offices and branches in the United States and other major financial centers. Large Austrian banks also have a huge network in many of the ten new EU members and other countries in Central and Eastern Europe (CEE) and in Southeastern Europe (SEE). Austrian banking groups dominate CEE/SEE banking markets. Six out of the seven largest Austrian banks hold sizeable investments in CEE/SEE; three of them are among the five largest banking groups in the area. Total assets of Austria's five largest banking groups (Bank Austria Creditanstalt (BA-CA), Erste Bank, Raiffeisen Zentralbank (RZB), Bank fuer Arbeit und Wirtschaft und Oesterreichische Postsparkasse (BAWAG PSK), and Oesterreichische Volksbanken) amounted to about Euro 444 billion ($555 billion) in 2004, representing 68% of Austria's total bank assets

The Vienna Stock Exchange (VSE) is connected to Xetra, Frankfurt's electronic trading system, sotraders worldwide have on-screen information anddirect access to all stocks listed in Vienna. I March 2005, a consortium of Austrian and Hungaran investors, led by VSE, acquired a majority shae in the Budapest Stock Exchange (BSE) with the oal of establishing a broader "Central European tock Exchange" alliance, including several other stock exchanges in CEE/SEE.

Austria's venture capital market is underdeveloped. After significant expansion in the late 1990s, it peaked in 2000, but has been flat since then. The volume of private equity and venture capital raised in Austria during 1995-2004 was Euro 1.2 billion ($1.5 billion), according to the Austrian Private Equity and Venture Capital Organization (AVCO). In 2004, fund raising slowed to Euro 122 million ($152 million).

Listed companies must publish quarterly reports. Criminal penalties for insider trading are in place. The Austrian Financial Market Authority (FMA), similar to the

U.S. Securities and Exchange Commission, is responsible for policing irregularities on the stock exchange and, with support from the Austrian National Bank, for supervising banks, insurance companies, securities markets, and pension funds.

The legal, regulatory, and accounting systems are transparent and consistent with international norms. Austrian regulations governing accounting standards will provide U.S. investors with improved and internationally standardized financial information. Listed companies must use the International Financial Reporting Standards (IFRS) set by the International Accounting Standards Board (IASB) and approved by the European Commission. All other firms can use IFRS or the regulations pursuant to the Austrian Business Code. A new Code of Corporate Governance came into effect on January 1, 2006. Listed companies are required to comply or explain why they are not following it.

Political Violence

There have been no incidents of politically motivated damage to foreign businesses. Civil disturbances are extremely rare.

Corruption

The Austrian Criminal Code contains penalties for bribery, including a fine of up to Euro 500 ($625) per day for up to 360 days or up to two years imprisonment for the payer of a bribe. The recipient of a bribe faces up to five years imprisonment. Under the Criminal Code, any person who bribes a civil servant, a foreign official, or a manager of an Austrian public enterprise is subject to criminal penalties. Austria has ratified the OECD Anti-Bribery Convention, which entered into force in July 1999. Corresponding criminal code legislation has been in place since summer 1998, and including prohibiting tax deductibility for bribes. A new Law on Responsibility of Associations entered into force January 1, 2006 and introduced criminal responsibility for legal entities and partnerships. The law covers all criminal offences punishable by court, including corruption, money laundering, and serious tax offences that are subject to the Tax Offences Act. Fines pursuant to the new law can rise to as much as 180 daily rates, with one daily rate equal to one-360th of yearly proceeds, but not less than Euro 50 ($63) and not more than Euro 10,000 ($12,500).

Bilateral Investment Agreements

Austria has bilateral investment agreements in force with Albania, Algeria, Argentina, Armenia, Azerbaijan, Bangladesh, Belarus, Belize, Bolivia, Bosnia-Herzegovina, Bulgaria, Cape Verde, Chile, China, Croatia, Cuba, Egypt, Estonia, Ethiopia, Georgia, Hong Kong, Hungary, India, Iran, Jordan, Kuwait, Latvia, Lebanon, Libya, Lithuania, Macedonia, Malaysia, Malta, Mexico, Moldova, Mongolia, Morocco, Oman, Paraguay, Philippines, Poland, Romania, Saudi Arabia, Slovenia, South Korea, South Africa, Tunisia, Turkey, Ukraine, United Arab Emirates, Uzbekistan, Vietnam, Yemen, and Serbia and Montenegro.

Austria has signed agreements with Cambodia, Namibia and Zimbabwe, but the agreements have not yet entered into effect. An agreement with North Korea is in initial stages of discussion. Until new agreements take effect, the existing agreements with the former Czechoslovakia continue to apply to the Czech Republic and Slovakia, and that with the former Soviet Union to Russia and Tajikistan. Austria and Russia are negotiating a new agreement. Under all these agreements, if parties cannot amicably settle investment disputes, a claimant submits

the dispute to the International Center for Settlement of Investment Disputes or an arbitration court according to the UNCITRAL arbitration regulations.

The U.S. and Austria are parties to a bilateral double taxation treaty covering income and corporate taxes, which went into effect on February 1, 1998. Another bilateral double taxation treaty covering estates, inheritances, gifts and generation-skipping transfers has been in effect since 1982.

OPIC and Other Investment Insurance Programs

OPIC programs are not available for Austria. Austria is a member of the Multilateral Investment Guarantee Agency (MIGA).

Labor

Austria has a highly educated and productive labor force of about four million people, of which 3.5 million are employees and 500,000 are self-employed or farmers. Austria's labor market is more rigid than that of the U.S., but more flexible than markets in some other EU members. Depending on labor demand, government policies limit the number of foreign workers to between 8-10% of the salaried workforce. In 2005, the number of guest workers, predominantly from the former Yugoslavia and Turkey, averaged 374,000. As part of the 2004 EU enlargement, Austria adopted a 7-year transition period vis--vis eight of the ten new EU members (except Cyprus and Malta) before fully allowing free movement of labor. On May 1, 2006, the Austrian Government will likely extend the restrictions for another three years, after which the EU Commission can approve a further extension for two years.

Compared to other EU countries, Austria had a relatively low unemployment rate of 5.2% in 2005. The 2006 forecast is for an unemployment rate of 5.2-5.3%, assuming real economic growth of 2.3-2.4%. Forecasts call for no change in 2007, projecting economic growth of only 2.0-2.2%. Analysts expect no potential labor market shortage in the medium term. While demographic trends indicate little growth in the labor force over the next few years, other factors, such as expected moderate economic growth, productivity gains, industrial restructuring, federal employment incentives for women and older employees, the gradual phase-out of early retirement, and government efforts to reduce civil service employment will likely offset the expected slow growth in the labor market. Moreover, net gains from migration will easily outpace the effect of low birth rates on the overall labor supply. Long-term population estimates indicated an increase in the working age population (15-60 years) to 5.26 million by 2014, up from 5.06 million in 2004. After 2014, the working population should slowly decrease to about 4.88 million by 2030. However, the government's measures to promote participation in the labor force should help mitigate any potential shortage.

In general, skilled labor is available in sufficient numbers. However, regional shortages of highly specialized laborers in specific sectors, such as systems administration, metalworking, health, and tourism services may occur. In line with EU goals, the government's labor market policy aims to raise the labor market participation rate to 70% (currently 69.2%) by 2010, that of women to 60% (currently 61.7%), and that of workers aged 55-64 to 50% (currently 30.4%). The government introduced new regulations requiring recipients of unemployment benefits to be more flexible regarding which jobs they would accept. Companies hiring workers age 50 and above are eligible for financial bonuses, but face penalties for laying off workers within this age group. The government will not likely realize its plans to introduce more flexible working hours before the end of this legislation period in fall 2006.

Austrian social insurance is compulsory and comprises health insurance, old-age pension insurance, unemployment insurance, and accident insurance. Social insurance contributions are a percentage of total monthly earnings and are shared by employers and employees. Although EU requirements facilitated greater job flexibility, various Austrian laws closely regulate terms of employment, including working hours, minimum vacation time (5 weeks), holidays, maternity leave, statutory separation notice, protection against dismissal, and the option for parents with children under the age of seven to choose part-time work for several years. The new regulation only applies to parents working for companies with at least 20 employees. The severance pay system, implemented in 2002, aims to enhance worker flexibility by providing employees the right to carry their accrued entitlements with them.

Since World War II, labor-management relations have generally been harmonious in Austria, as reflected in extremely low strike figures in past decades. Two major strikes in May/June 2003 were politically motivated strikes against the government's pension reform and did not reflect management-labor disputes. No major work stoppages occurred in 2004/0505. About 40% of the work force belongs to a union.

Collective bargaining revolves mainly around wage adjustments and fringe benefits. While existing legal provisions stipulate a maximum workweek of 40 hours, collective agreements provide for a workweek of 38 or 38.5 hours per week for more than half of all employees.

Foreign Trade Zones/Free Ports

Austria has no foreign trade zones.

Foreign Direct Investment Statistics

The inflow of new foreign direct investment (FDI) in 2004 reached Euro 3.2 billion ($4.0 billion), less than the Euro 6.3 billion ($7.9 billion) in 2003, which was the third highest inflow ever. New FDI in the first half of 2005 amounted to Euro 3.1 billion ($3.9 billion). The value of FDI stock in Austria was Euro 45.8 billion ($57.3 billion) at the end of 2004 and about Euro 49 billion ($68.8 billion) by mid-2005. In 2004, U.S. firms invested about 10% of the total.

At Euro 5.9 billion ($7.4 billion), flows of Austrian direct investment abroad in 2004 just missed the record level of Euro 6.3 billion ($7.9 billion) in 2003. In the first half of 2005, FDI abroad was Euro 2.8 billion ($3.5 billion). This raised the value of Austrian direct investment stock abroad to Euro 50.2 billion ($62.7 billion) at the end of 2004 and to Euro 53 billion ($66.2 billion) by mid-2005.

Note: Figures converted at the 2005 annual average exchange rate of $1.00 for Euro 0.80.
Source: Austrian National Bank.

Austria's International Investment Position (EUR billion)

Year	2003	2004 (1)	2005 (2)
FDI in Austria	44.3	50.2	53.0
Austrian FDI Abroad	42.6	45.8	48.9

Footnotes:
(1) preliminary figures;
(2) first half year, preliminary figures.

FDI in Austria - Source Country Breakdown 2003
(share of total in percent)

U.S.	10.3
Germany	39.9
U.K.	11.2
Switzerland/Liechtenstein	8.0
Netherlands	7.3
Spain	2.5
Japan	2.3
All other countries	18.5

FDI in Austria - Industry Breakdown 2003 (Euro million)

Mining and energy	466
Metals, machinery	1,622
Vehicles	434
Electrical engineering, electronics	2,226
Petroleum, chemicals	2,903
Paper, wood	1,173
Building and allied trades	678
Trade	10,296
Transport, communication	801
Banking, insurance, finance	5,824
Real estate, business, related services	15,377
Other industries	835
Total	42,635

Austrian FDI Abroad - Destination Country Breakdown 2003
(share of total in percent)

U.S.	4.4
Germany	16.1
Czech Republic	8.0
Hungary	7.8
Netherlands	6.2
Switzerland/Liechtenstein	5.1
U.K.	4.8
Poland	4.4
Slovakia	3.4
Croatia	2.7
Slovenia	2.3
All other countries	34.8

Austrian FDI Abroad - Industry Breakdown 2003 (Euro million)

Mining and energy	1,959
Metals, machinery	1,392
Electrical engineering, electronics	856
Petroleum, chemicals	2,167
Paper, wood	759
Food, drink, tobacco	462
Building and allied trades	2,105
Trade	4,932
Transport, communication	984
Banking, insurance, finance	13,749
Real estate, business, related services	14,147
Other industries	797
Total	44,309

List of Major Foreign Investors:

Some 370 U.S. firms hold investments in Austria, which range from simple sales offices to major production facilities. The following is a short list of U.S. firms holding major investments in Austria.

American Express Bank Ltd.
Baxter International Inc.
Capital Research and Management Company

Cisco Systems, Inc.
Citibank Overseas Investment Corp.
The Coca-Cola Company
CSC Computer Sciences Corporation
Deloitte & Touche LLP
Electronic Data Systems Corp.
Exxon Corporation
General Electric Capital Corporation
General Electric Company
General Motors Corp.
Harman International Industries Inc.
Hewlett-Packard Company
Honeywell Inc.
IBM World Trade Corp.
ITT Fluid Technology Corp.
Johnson & Johnson Int.
Johnson Controls Inc.
Kraft Foods International, Inc.
Lear Corporation
Lem Dyn Amp
McDonald's Corporation
Marriott International, Inc.
Mars Inc.
MeadWestvaco Corp.
Merck & Co., Inc.
Modine USA
Otis Elevator Co.
Pioneer Hi-Bred International Inc.
PricewaterhouseCoopers LLP
PQ International Inc.
Quintiles Transnational Corp.
Schindler Elevator Corp.
Starwood Hotels and Resorts Worldwide, Inc.
Toys"R"Us, Inc.
United Global Com, Inc.
Unysis Corporation
Verizon Information Services Inc.
Western Union
Worthington Cylinder Corp.
York International
Xerox Corporation

The following is a brief list of firms headquartered in countries other than the U.S., holding major investments in Austria.

Alcatel Holding, Netherlands
Allianz AG, Germany
Amer, Finland
Asea Brown Boveri, Switzerland
Assicurazioni Generali, Italy
Aventis, Germany
Axel Springer Verlag, Germany
BASF, Germany
Bayer AG, Germany
Bayerische Motorenwerke (BMW), Germany
Bombardier, Canada
Bosch Robert AG, Germany
Borealis, Denmark
BP Amoco, UK
DaimlerChrysler, Germany
Detergenta Investment, Germany
Deutsche Telekom, Germany
DM Drogerie Markt, Germany
Electricite de France, France
Electrolux, Sweden
Epcos AG, Germany
Ericsson, Sweden
Flextronics International, Singapore
Gallaher, U.K.
Heineken, Netherlands
H&M, Netherlands
Infineon, Netherlands
Kone Corp., Finland
Koramic, Belgium
Liebherr, Switzerland
Magna, Canada
MAN, Germany

Metro, Germany
Mondi Europe, Luxembourg and UK
Nestle S.A., Switzerland
NKT Cables, Denmark
Novartis, Switzerland
Nycomed Holding, Denmark
Philips, Netherlands
Plus Warenhandel, Germany
REWE, Germany
RWE, Germany
Sappi Ltd, South Africa
Schlecker, Germany
Shell Petroleum N.V., Netherlands
Siemens, Germany
Smurfit Group, Ireland
Solvay Et Cie, Belgium
Sony, Japan
Sueddeutscher Verlag, Germany
Svenska Cellulosa Ab (SCA), Sweden
UniCredit Group, Italy
Unilever N.V., Netherlands
Voith, Germany
Westdeutsche Allgemeine Zeitung (WAZ), Germany
Westdeutsche Landesbank, Germany

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